

# Appendix

# Appendix Table of Contents

Appendix: The IBG's Attic.....	183
Claims Procedures.....	183
How to File a State Health Plan Claim.....	183
How to File a Manual Prescription Drug Claim.....	183
How to File a Dental Claim.....	184
Notice of Privacy Practices.....	185
How EIP May Use and Disclose Health Information.....	185
Your Health Information Rights.....	187
Complaints.....	188
Changes to This Notice.....	188
Other Uses of Health Information.....	188
Creditable Coverage Letter.....	189
Medicare Part D: Frequently Asked Questions.....	191
Health Savings Account Custodial Agreement.....	192

**APPENDIX: THE IBG'S ATTIC**

This chapter contains supplementary information. You may not consult it often, but it is here when you need it.

# Claims Procedures

## HOW TO FILE A STATE HEALTH PLAN CLAIM

If you received services from a physician or hospital that participates in a SHP network, you do not have to file a claim. Your doctor or hospital will file for you. You are responsible for the usual out-of-pocket expenses (deductible, copayment, coinsurance and non-covered services).

However, if you did not use a network physician or hospital, or have a claim for a non-network service, you may have to file the claim yourself. You can get claim forms from your benefits office, EIP or BlueCross BlueShield. Claim forms also are available on the EIP Web site. Go to [www.eip.sc.gov](http://www.eip.sc.gov), then choose your category and select "Forms."

To file a claim you need to:

- Complete the front side of the claim form
- Attach your itemized bills, which must show: the amount charged; the patient's name; the date and place of service; the diagnosis, if applicable; and the provider's federal tax identification number, if available
- File claims within 90 days of the date you receive services or as soon as reasonably possible.

BlueCross BlueShield must receive medical claims by the end of the calendar year after the year in which expenses are incurred. Otherwise, claims cannot be paid.

Complete a separate claim form for each individual who received care, and mail the form to BlueCross BlueShield at:

State Group Processing Unit  
BlueCross BlueShield of South Carolina  
P.O. Box 100605  
Columbia, SC 29260-0605.

In most cases, if you obtain medical services outside South Carolina and the United States at a BlueCard doctor or hospital, you should not need to pay up-front for inpatient care. You are responsible for the usual out-of-pocket expenses (deductible, copayment, coinsurance and non-covered services). The doctor or hospital should submit your claim.

At non-BlueCard doctors and hospitals, you pay the doctor or hospital for inpatient care, outpatient hospital care and other medical services. You must then complete an international claim form and send it to the BlueCard Worldwide Service Center. The claim form is available from your benefits administrator or online through [www.southcarolinablues.com](http://www.southcarolinablues.com).

## HOW TO FILE A MANUAL PRESCRIPTION DRUG CLAIM

If you fail to show your SHP ID card, or if you incur prescription drug expenses while traveling outside the United States, you will have to pay full retail price for your prescription and then file a claim with Medco for reimbursement. Reimbursement will be limited to the plan's allowable charge, less the copayment. You must file your claim with Medco within one year of the date of service.

**Remember that benefits are NOT payable if you use a non-participating pharmacy in the United States.** However, if you incur prescription drug expenses at a non-participating pharmacy while traveling outside the United States, you will be able to file a claim with Medco. Reimbursement of your expenses will be limited to the plan's allowable charge, less the copayment.

To file a claim for prescription drug expenses incurred at a participating pharmacy or outside the United States, call Medco's Member Services at 800-711-3450.

## HOW TO FILE A DENTAL CLAIM

The easiest way to file a claim is to assign benefits to your dentist. Assigning benefits means that you authorize your dentist to file claims for you and to receive payment from the plan for your treatment. To do this, you must show a staff member in your dentist's office your dental identification card and ask that the claim be filed for you. Be sure to sign the payment authorization block of the claim form. BlueCross BlueShield of South Carolina will then pay your dentist directly. You are responsible for the difference between the benefit payment and the actual charge.

If your dentist will not file claims for you, you can file to BlueCross BlueShield of South Carolina. The claim form is available at [www.eip.sc.gov](http://www.eip.sc.gov). Choose your category and then select "Forms." Complete items 1-11 on the claim form, and ask your dentist to complete items 12-29.

If your dentist will not complete his portion of the form, get an itemized bill showing this information:

1. The name and address of the dentist
2. The patient's name
3. The date of each service
4. The name of each service
5. The charge for each service

Complete items 1-11 of the claim form, attach the bill and mail it to:

BlueCross BlueShield of South Carolina  
State Dental Claims Department  
P.O. Box 100300  
Columbia, SC 29202-3300

X-rays and other diagnostic aids may be needed to determine the benefit for some dental procedures. Your dentist may be asked to provide this documentation for review by BlueCross BlueShield's dental consultant. The plan will not pay a fee for providing this information. A completed claim form must be submitted to BlueCross BlueShield of South Carolina no later than 24 months after charges were incurred or benefits will not be paid.

### What If I Need Help?

You can call BlueCross BlueShield of South Carolina at 888-214-6230. If you cannot call, write BlueCross BlueShield of South Carolina at the above address.

# NOTICE OF PRIVACY PRACTICES

Effective April 14, 2003

This notice describes how medical information about you may be used and disclosed and how you can get access to this information. Please review it carefully. Please share this information with your covered adult dependents.

The South Carolina Budget and Control Board Employee Insurance Program (EIP) is committed to protecting the privacy of your health information. EIP receives a copy of your medical claims information and related health information in order to provide you with health insurance and to assist you in claims resolution. This notice explains how EIP may use and disclose your health information, EIP's obligations related to the use and disclosure of your health information and your rights regarding your health information. EIP is required by law, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), to make sure that health information that identifies you is kept private, to give you this notice of its privacy practices and to follow the terms of its current notice. This notice applies to all of the records of your individual health information maintained or created by EIP. All EIP employees will follow the practices described in this notice.

If you have any questions about this Notice of Privacy Practices, please contact:

Privacy Officer

1201 Main Street, Suite 300

Columbia, S.C. 29201

Phone: (803) 734-0600

Fax: (803) 737-0825

E-mail: [privacyofficer@cio.sc.gov](mailto:privacyofficer@cio.sc.gov)

## HOW EIP MAY USE AND DISCLOSE HEALTH INFORMATION

The following describes different ways EIP may use and disclose your health information. For each category of use or disclosure, this notice will explain what EIP means and may present some examples. Not every use or disclosure in a category will be listed. However, all of the ways that EIP is permitted to use and disclose information will fall within one of the categories.

- **For Treatment.** EIP may use and disclose your health information to coordinate and manage your health-care-related services by one or more of your healthcare providers. For example, a representative of EIP, a case manager and your doctor may discuss the most beneficial treatment plan for you if you have a chronic condition such as diabetes.
- **For Payment.** EIP may use and disclose your health information to bill, collect payment and pay for your treatment/services from an insurance company or another third party; to obtain premiums; to determine or fulfill its responsibility for coverage or provision of benefits; or to provide reimbursement for healthcare. For example, EIP may need to give your health information to another insurance provider to facilitate the coordination of benefits or to your employer to facilitate the employer's payment of its portion of the premium.
- **For Health Care Operations.** EIP may use and disclose health information about you for other EIP operations. EIP may use health information in connection with conducting quality assessment and improvement activities; reviewing the competence or qualifications of healthcare professionals; evaluating practitioner, provider and health plan performance; underwriting, premium rating and other activities relating to health plan coverage; conducting or arranging for medical review, legal services, audit services and fraud-and abuse-detection programs; business planning and development, such as cost management; and business management and general administrative activities. For example, EIP may disclose your health information to an actuary to make decisions regarding premium rates, or it may share your personal health information with other business associates that, through written agreement, provide services to EIP. These business associates, such as consultants or third-party administrators, are required to protect the privacy of your personal health information.

- **For Purposes of Administering the Plan.** EIP may disclose your health information to its Plan sponsor, the South Carolina Budget and Control Board, for the purpose of administering the Plan. For example, EIP may disclose aggregate claims information to the Plan sponsor to set Plan terms.
- **Treatment Alternatives and Health-Related Benefits and Services.** EIP may use and disclose your health information to contact you about health-related benefits or services that may be of interest to you. For example, you may be contacted and offered enrollment in a program to assist you in handling a chronic disease such as disabling high blood pressure.
- **Individuals Involved in Your Care or Payment for Your Care.** EIP may, in certain circumstances, disclose health information about you to your representative such as a friend or family member who is involved in your health care or to your representative who helps pay for your care. EIP may disclose your health information to an agency assisting in disaster relief efforts so that your family can be notified about your condition, status and location.
- **Research.** EIP may use and disclose your de-identified health information for research purposes, or EIP may share health information for research approved by an institutional review board or privacy board after review of the research rules to ensure the privacy of your health information. For example, a research project may compare the health/recovery of patients who receive a medication with those who receive another medication for the same condition.
- **As Required By Law.** EIP will disclose health information about you when it is required to do so by federal or South Carolina law. For example, EIP will report any suspected insurance fraud as required by South Carolina law.
- **To Avert a Serious Threat to Health or Safety, or for Public Health Activities.** EIP may use and disclose health information about you, when necessary to prevent a serious threat to your health and safety or to the health and safety of the public or for public health activities.
- **Organ and Tissue Donation.** If you are an organ donor, EIP may disclose your health information to organizations that handle organ, eye or tissue procurement, transplantation or donation.
- **Coroners, Medical Examiners and Funeral Directors.** EIP may share your health information with a coroner/medical examiner or funeral director as needed to carry out their duties.
- **Military and Veterans.** If you are a member of the armed forces, EIP may disclose health information about you after the notice requirements are fulfilled by military command authorities.
- **Workers' Compensation.** EIP may disclose health information about you for Workers' Compensation or similar programs that provide benefits for work-related injuries or illness.
- **Health Oversight Activities.** EIP may disclose your health information to a health oversight agency for authorized activities such as audits and investigations.
- **Lawsuits and Disputes.** EIP may disclose your health information in response to a court or administrative order, a subpoena, discovery request, or other lawful process if EIP receives assurance from the party seeking the information that you have either been given notice of the request, or that the party seeking the information has tried to secure a qualified protective order regarding this information.
- **Law Enforcement.** EIP may disclose information to a law enforcement official in response to a court order, subpoena, warrant, summons, or similar process.
- **National Security, Intelligence Activities and Protective Services.** EIP may disclose your health information to authorized officials for intelligence, counterintelligence and other national security activities; to conduct special investigations; and to provide protection for the President, other authorized persons or foreign heads of state.

- **Inmates.** If you are an inmate of a correctional institution or are in the custody of a law enforcement official, EIP may disclose your health information if the disclosure is necessary to provide you with health care or to protect your health and safety or the health and safety of others.
- EIP will not use or release your health information for purposes of fund-raising activities.

## YOUR HEALTH INFORMATION RIGHTS

You have the following rights regarding the health information that EIP has about you:

- **Right to Inspect and Copy.** You have the right to request to see and receive a copy of your health information, or, if you agree to the preparation cost, EIP may provide you with a written summary. Some health information is exempt from disclosure. To see or obtain a copy of your health information, send a written request to the Director, EIP, 1201 Main Street, Suite 300, P.O. Box 11661, Columbia, S.C. 29211. EIP may charge a fee for the costs associated with your request. In limited cases, EIP may deny your request. If your request is denied, you may request a review of the denial.
- **Right to Amend.** If you believe that your health information is incorrect or incomplete, you may ask EIP to amend the information by sending a written request to the Director, EIP, 1201 Main Street, Suite 300, P.O. Box 11661, Columbia, S.C. 29211, stating the reason you believe your information should be amended. EIP may deny your request if you ask it to amend information that was not created by EIP, the information is not part of the health information kept by or for EIP, the information is not part of the information you would be permitted to inspect and copy or your health information is accurate and complete. You have the right to request an amendment for as long as EIP keeps the information.
- **Right to an Accounting of Disclosures.** You have the right to request a list of the disclosures of your health information EIP has made. This list will NOT include health information released to provide treatment to you, to obtain payment for services or for health care operations; releases for national security purposes; releases to correctional institutions or law enforcement officials as required by law; releases authorized by you; releases of your health information to you; releases as part of a limited data set; releases to representatives involved in your health care; releases otherwise required by law or regulation and releases made prior to April 14, 2003. You must submit your request for an accounting of disclosures in writing to the Director, EIP, 1201 Main Street, Suite 300, P.O. Box 11661, Columbia, S.C. 29211, indicating a time period that may not go back beyond six years and may not include dates before April 14, 2003. Your request should indicate the form in which you want the list (for example, by paper or electronically). The first list that you request within a 12-month period will be provided free of charge; however, EIP may charge you for the cost of providing additional lists within a 12-month period.
- **Right to Request Restrictions of Use and Disclosure and Right to Request Confidential Communications.** You have the right to request a restriction on the health information that EIP uses or discloses. You also have the right to request a limit on the health information that EIP discloses about you to someone who is involved in your care or the payment for your care. For example, you may ask that EIP not use or disclose information about an immunization or particular service that you received. EIP is not required to agree to your request(s). If EIP does agree, EIP will comply with your request(s) unless the information is needed to provide you with emergency treatment. In your request, you must specify what information you want to limit and to whom you want the limits to apply. For example, you may request that your claims information not be sent to your home address. In addition, you have the right to request that EIP communicate with you by certain means or at a certain location. EIP will accommodate reasonable request(s). You must make these request(s), in writing, to the Director, EIP, 1201 Main Street, Suite 300, P.O. Box 11661, Columbia, S.C. 29211.
- **Right to a Paper Copy of This Notice.** You have the right to request a paper copy of this notice at any time by contacting the South Carolina Budget and Control Board's Privacy Officer (see other side of this notice). You may obtain a copy of this notice at EIP's Web site [www.eip.sc.gov](http://www.eip.sc.gov).



## COMPLAINTS

If you believe that your health information rights, as stated in this notice, have been violated, you may file a complaint with the South Carolina Budget and Control Board's Privacy Officer and/or with the Secretary of the U.S. Department of Health and Human Services, 200 Independence Ave., S.W., Washington, D.C. 20201. (Phone number 877-696-6775.) To file a complaint with the South Carolina Budget and Control Board's Privacy Officer, contact the officer at the address listed on the first page of this notice.

EIP will not intimidate, threaten, coerce, discriminate against or take other retaliatory actions against any individual who files a complaint.

## CHANGES TO THIS NOTICE

EIP reserves the right to change this notice. EIP may make the changed notice effective for medical information it already has about you as well as for any information it may receive in the future. EIP will post a copy of the current notice on its Web site and in its office. EIP will mail you a copy of revisions to this policy at the address on file with EIP at the time of the mailing.

## OTHER USES OF HEALTH INFORMATION

This notice describes and gives some examples of the permitted ways your health information may be used or disclosed. EIP will ask for your written permission before it uses or discloses your health information for purposes not covered in this notice. If you provide EIP with written permission to use or disclose information, you can change your mind and revoke your permission at any time by notifying EIP in writing. If you revoke your permission, EIP will no longer use or disclose the information for that purpose. However, EIP will not be able to take back any disclosure that it made with your permission.



# Creditable Coverage Letter

On January 1, 2006, Medicare began offering a prescription drug plan, Medicare Part D. The drug coverage most subscribers have through health plans offered by the Employee Insurance Program is as good as, or better than, drug coverage offered by Part D. Therefore, they do not need to sign up for Part D. Subscribers are sent this letter to inform them that they have what Medicare calls “creditable coverage.”

## Important Notice from the Employee Insurance Program (EIP) About Your State Prescription Drug Coverage and Medicare

Please read this notice, your creditable coverage letter, carefully and keep it where you can find it. This notice contains information about your current prescription drug coverage with EIP and about new prescription drug coverage available January 1, 2006, to people with Medicare. It also tells you where to find more information to help you make decisions about your prescription drug coverage.

- 1. Starting January 1, 2006, Medicare Part D, new prescription drug coverage, will be available to Medicare recipients.**
- 2. EIP has determined that the state drug coverage offered through your health plan (the Standard Plan, the Medicare Supplemental Plan, BlueChoice HealthPlan, CIGNA Healthcare HMO or MUSC Options) is, on average for all plan participants, as good as or better than the standard Medicare prescription drug coverage.**
- 3. Read this notice carefully. It explains options you have under Medicare prescription drug coverage and can help you decide whether or not to enroll.**

You may have heard about Medicare Part D, Medicare’s new prescription drug coverage, and wondered how it would affect you. *EIP has determined that the prescription drug coverage you now have is, on average for all plan participants, as good as the standard Medicare prescription drug coverage.* Starting January 1, 2006, prescription drug coverage will be available to everyone with Medicare through Medicare prescription drug plans. All Medicare prescription drug plans will provide at least a standard level of coverage set by Medicare. Some plans might offer more coverage for a higher monthly premium.

**Because your coverage through EIP is, on average, at least as good as the standard Medicare prescription drug coverage, you can keep your coverage through EIP and not pay extra if you later decide to enroll in Medicare coverage.**

People with Medicare can enroll in a Medicare prescription drug plan from November 15, 2005, through May 15, 2006. You may have heard that if you later decide to enroll in Part D, you will have to pay a higher premium because you did not enroll in Part D when you first had the opportunity. However, because you now have prescription drug coverage that, on average, is as good as Medicare coverage, you can choose to join a Medicare prescription drug plan later without a penalty. Every year after that, you will have the opportunity to enroll in a Medicare prescription drug plan between November 15 and December 31.

Please keep this notice, your creditable coverage letter, in a safe place. If you later decide to enroll in Part D, you may need to present it to show that you had coverage that was as good as or better than Part D, and therefore, you are not subject to higher premiums.

**If you enroll in a Medicare prescription drug plan you will lose your EIP prescription drug coverage, and you will not be able to get this coverage back until the next EIP open enrollment period.**

If you enroll in a Medicare prescription drug plan, you will lose your state drug coverage through EIP and not be able to get it back until the next open enrollment period, which occurs in October of odd-numbered years. Before deciding to drop your current EIP coverage, you should compare it, including which drugs are covered, with the coverage and cost of any plans offering Medicare prescription drug coverage in your area.

**To learn more about your drug coverage, consult your 2005 Insurance Benefits Guide (IBG) or call your health plan at the number listed on the inside cover of the IBG.**

Your coverage through EIP pays for other health expenses, as well as for prescription drugs. If you enroll in a Medicare prescription drug plan, you will no longer receive the prescription drug benefits offered by your health plan. However, there will be no reduction in your health insurance premium.

If you drop or lose your coverage with EIP and do not enroll in Medicare prescription drug coverage when your coverage ends, you may pay more if you later enroll in Medicare prescription drug coverage. If, after May 15, 2006, you go **63 days or longer without prescription drug coverage that is at least as good as Medicare's prescription drug coverage**, your monthly premium for Medicare Part D will go up at least 1 percent a month for every month after May 15, 2006, that you did not have that coverage. For example, if you go 19 months without coverage, your premium will always be at least 19 percent higher than the premium most other people pay. You will have to pay this higher premium as long as you have Medicare coverage. In addition, you may have to wait until the next November to enroll in Medicare prescription drug coverage.

**For more information about this notice, contact EIP.**

You can reach EIP at 803-734-0678 (Greater Columbia area) or 888-260-9430 (toll-free outside the Columbia area).

NOTE: You may receive copies of this notice again, such as before the next period in which you can enroll in Medicare prescription drug coverage, and if your coverage through EIP changes. You also may request a copy.

**For more information about your options under the Medicare prescription drug coverage:**

More detailed information about Medicare plans that offer prescription drug coverage will be available in October 2005 in the Medicare & You 2006 handbook. You will get a copy of the handbook in the mail from Medicare. You may also be contacted directly by Medicare prescription drug plans. For more information about Medicare prescription drug plans:

- Visit [www.medicare.gov](http://www.medicare.gov) for personalized help,
- Call your State Health Insurance Assistance Program (see your copy of the Medicare & You 2006 handbook for the telephone number)
- Call 800-MEDICARE (800-633-4227). TTY users should call 877-486-2048.

Extra help paying for a Medicare prescription drug plan is available to people with limited income and resources. Contact the Social Security Administration (SSA) for more information about this assistance. You may visit SSA online at [www.socialsecurity.gov](http://www.socialsecurity.gov), or call 800-772-1213. TTY users should call 800-325-0778.

**Remember: Keep this notice. If you enroll in one of the new Medicare prescription drug plans after May 15, 2006, you may need to present a copy of this notice when you join to show that you are not required to pay a higher premium.**

South Carolina Budget and Control Board  
Employee Insurance Program  
1201 Main Street, Suite 300  
P.O. Box 11661  
Columbia, SC 29211

803-734-0678 (Greater Columbia area)  
888-260-9430 (toll-free outside the Columbia area)  
[cs@eip.sc.gov](mailto:cs@eip.sc.gov)  
[www.eip.sc.gov](http://www.eip.sc.gov)

## MEDICARE PART D: FREQUENTLY ASKED QUESTIONS

- **Q: I received a notice recently about Medicare Part D from the Employee Insurance Program (EIP). What is this?**
- **A:** When the Medicare prescription drug benefit goes into effect on January 1, 2006, EIP will continue to provide you and your covered dependents with your state prescription drug coverage. The notice tells you this coverage is at least as good as the Medicare drug benefit, and it is proof of such coverage. Please keep this notice where you can easily find it.
- **Q: Do I need to do anything right now?**
- **A:** No. There is nothing you need to do if you plan to keep your state coverage through EIP.
- **Q: What do I need to do if I want to switch to a Medicare plan?**
- **A:** If you switch to a Medicare drug plan, you need to enroll between November 15, 2005, and May 15, 2006. If you enroll by December 31, 2005, your coverage will be effective January 1, 2006. More information is available by calling Medicare at 1- 800-MEDICARE (1-800-633-4227) or at 1-877-486-2048 (TTY). However, enrolling in a Medicare drug plan will disqualify you from prescription drug coverage under your EIP plan. If you enroll in a Medicare drug plan, you will lose your EIP drug coverage and you will not be able to get it back until the next open enrollment, which occurs in October of odd-numbered years.
- **Q: If I keep my current coverage, can I switch to a Medicare plan later?**
- **A:** Yes. After the initial Part D enrollment period, November 15, 2005, to May 15, 2006, open enrollment for Medicare coverage will be held yearly between November 15 and December 31.
- **Q: Will I pay higher premiums for a Medicare prescription drug plan if I keep my state coverage through EIP and switch later?**
- **A:** No. Since Medicare recognizes your current state coverage through EIP to be at least as good as the standard Medicare plan, you will not pay more if you later enroll in a Medicare plan. Remember that Medicare prescription drug plan enrollment for 2006 ends May 15, 2006. After that, you may only enroll in a Medicare prescription drug plan during: 1) open enrollment for Medicare, which is November 15 to December 31 of each year; or 2) if your EIP coverage ends.
- **Q: Is limited-income assistance available for prescription drug coverage?**
- **A:** Limited-income assistance is not available for your EIP coverage, but it is available for the Medicare benefit. If your yearly income is less than \$11,500 for individuals or \$23,000 for couples, you may be eligible for limited-income assistance. You may apply for assistance by filling out an application online at [www.socialsecurity.gov](http://www.socialsecurity.gov) or by calling the Social Security Administration at 800-772-1213 or 800-325-0778 (TTY). Remember: You can only receive limited-income assistance if you enroll in a Medicare prescription drug plan

# HEALTH SAVINGS ACCOUNT CUSTODIAL AGREEMENT

## HEALTH SAVINGS CUSTODIAL ACCOUNT AND DISCLOSURE STATEMENT

**Purpose.** This Organizer contains documents necessary to establish a Health Savings Account (HSA). It meets the requirements of Internal Revenue Code (IRC) Section 223 and all additional Internal Revenue Service (IRS) guidance. An HSA is established after the Organizer is fully executed by both you (account owner) and the custodian and must be completed no later than the due date (excluding extensions) of your income tax return for the tax year. Do not file the HSA Custodial Account Agreement with the IRS. Instead, keep it with your records.

**How to use this HSA Organizer.** You must complete and sign the Application. An original signed copy of the Application should be kept by the custodian for its records. You should receive a copy of the Application and keep the remaining contents of the HSA Organizer. Community and marital property state laws may require spousal consent for beneficiary designations.

### Definitions

**HSA.** An HSA is a tax-exempt trust or custodial account established exclusively for the purpose of paying qualified medical expenses of you, your spouse, and your dependents.

**Custodian.** An HSA custodian must be a bank, an insurance company, a person previously approved by the IRS to be a custodian of an individual retirement account (IRA) or Archer Medical Savings Account (MSA), or any other person approved by the IRS.

**Account Owner.** The account owner is the person who establishes the custodial account. For HSA purposes, the account owner is you.

### Additional Documents

Applicable law or policies of the HSA custodian may require additional documentation such as IRS Form W-9, *Request for Taxpayer Identification Number and Certification*.

### For Additional Guidance

It is in your best interest to seek the guidance of a tax or legal professional before completing this document. For more information, refer to IRC Section 223 and all additional IRS guidance, IRS publications that include information about HSAs, instructions to your federal income tax return, your local IRS office, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

**HEALTH SAVINGS CUSTODIAL ACCOUNT**

Form **5305-C** (Under section 223(a) of the Internal Revenue Code)  
(August 2004) Department of the Treasury Internal Revenue Service  
The account owner and the custodian make the following agreement:

Do not File with Internal Revenue Service ☐ Amendment

**Article I.**

1. The custodian will accept additional cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member or any other person). No contributions will be accepted by the custodian for any account owner that exceeds the maximum amount for family coverage plus the catch-up contribution.

2. Contributions for any tax year may be made at any time before the deadline for filing the account owner's federal income tax return for that year (without extensions).

3. Rollover contributions from an HSA or an Archer Medical Savings Account (Archer MSA) (unless prohibited under this agreement) need not be in cash and are not subject to the maximum annual contribution limit set forth in Article II.

**Article II.**

1. For calendar year 2004, the maximum annual contribution limit for an account owner with single coverage is the lesser of the amount of the deductible under the HDHP but not more than \$2,600. For calendar year 2004, the maximum annual contribution limit for an account owner with family coverage is the lesser of the amount of the deductible under the HDHP but not more than \$5,150. These limits are subject to cost-of-living adjustments after 2004. Eligibility and contribution limits are determined on a month-to-month basis.

2. Contributions to Archer MSAs or other HSAs count toward the maximum annual contribution limit to this HSA.

3. For calendar year 2004, an additional \$500 catch-up contribution may be made for an account owner who is at least age 55 or older and not enrolled in Medicare. The catch-up contribution increases to \$600 in 2005, \$700 in 2006, \$800 in 2007, \$900 in 2008, and \$1,000 in 2009 and later years.

4. Contributions in excess of the maximum annual contribution limit are subject to an excise tax. However, the catch-up contributions are not subject to an excise tax.

**Article III.**

It is the responsibility of the account owner to determine whether contributions to this HSA have exceeded the maximum annual contribution limit described in Article II. If contributions to this HSA exceed the maximum annual contribution limit, the account owner shall notify the custodian that there exist excess contributions to the HSA. It is the responsibility of the account owner to request the withdrawal of the excess contribution and any net income attributable to such excess contribution.

**Article IV.**

The account owner's interest in the balance in this custodial account is nonforfeitable.

**Article V.**

1. No part of the custodial funds in this account may be invested in life insurance contracts or in collectibles as defined in section 408(m).

2. The assets of this account may not be commingled with other property except in a common trust fund or common investment fund.

3. Neither the account owner nor the custodian will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in section 4975).

**Article VI.**

1. Distributions of funds from this HSA may be made upon the direction of the account owner.

2. Distributions from this HSA that are used exclusively to pay or reimburse qualified medical expenses of the account owner, his or her spouse, or dependents are tax-free. However, distributions that are not used for qualified medical expenses are included in the

account owner's gross income and are subject to an additional 10 percent tax on that amount. The additional 10 percent tax does not apply if the distribution is made after the account owner's death, disability, or reaching age 65.

3. The custodian is not required to determine whether the distribution is for the payment or reimbursement of qualified medical expenses. Only the account owner is responsible for substantiating that the distribution is for qualified medical expenses and must maintain records sufficient to show, if required, that the distribution is tax-free.

**Article VII.**

If the account owner dies before the entire interest in the account is distributed, the entire account will be disposed of as follows:

1. If the beneficiary is the account owner's spouse, the HSA will become the spouse's HSA as of the date of death.

2. If the beneficiary is not the account owner's spouse, the HSA will cease to be an HSA as of the date of death. If the beneficiary is the account owner's estate, the fair market value of the account as of the date of death is taxable on the account owner's final return. For other beneficiaries, the fair market value of the account is taxable to that person in the tax year that includes such date.

**Article VIII.**

1. The account owner agrees to provide the custodian with information necessary for the custodian to prepare any report or return required by the IRS.

2. The custodian agrees to prepare and submit any report or return as prescribed by the IRS.

**Article IX.**

Notwithstanding any other article that may be added or incorporated in this agreement, the provisions of Articles I through VIII and this sentence are controlling. Any additional article in this agreement that is inconsistent with section 223 or IRS published guidance will be void.

**Article X.**

This agreement will be amended from time to time to comply with the provisions of the Code or IRS published guidance. Other amendments may be made with the consent of the persons whose signatures appear on the Application that accompanies this Agreement.

**Article XI.**

**11.01 Your HSA Documents.** This Agreement for an HSA, and any amendments or additional provisions to such agreement, set forth the terms and conditions governing the account owner's HSA relationship with us. This Agreement will be accompanied by a disclosure statement, which sets forth various HSA rules in simpler language.

**11.02 Definitions.** This Agreement refers to you as the account owner, and us as the custodian. References to "you," "your," and "HSA owner" will mean the account owner, and "we," "us," and "our" will mean the custodian. Upon your death, your spouse beneficiary, if applicable, becomes "you" for purposes of this Agreement. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your HSA, such third party will be considered your agent and, therefore, "you" for purposes of this Agreement. Additionally, references to "HSA" will mean the custodial account.

**11.03 Additional Provisions.** Additional provisions may be attached to, and made a part of, this Agreement by either party. The provisions must be in writing, agreed to by us, and in a format acceptable to us.

**11.04 Our Fees and Expenses.** We may charge reasonable fees and are entitled to reimbursement for any expenses we incur



in establishing and maintaining your HSA. We may change the fees at any time by providing you with notice of such changes. We will provide you with fee disclosures and policies. Fees may be deducted directly from your HSA assets, and/or billed separately to you. Fees billed separately to you and paid by you may be claimed on your federal income tax return as miscellaneous itemized deductions. The payment of fees has no effect on your contributions. Additionally, we have the right to liquidate your HSA assets to pay such fees and expenses. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

**11.05 Amendments.** We may amend your HSA in any respect and at any time, including retroactively, to comply with applicable laws governing HSAs and the corresponding regulations. Any other amendments shall require your consent, by action or no action, and will be preceded by written notice to you. Unless otherwise required, you are deemed to automatically consent to an amendment, which means that your written approval is not required for the amendment to apply to the HSA. In certain instances the governing law or our policies may require us to secure your written consent before an amendment can be applied to the HSA. If you want to withhold your consent to an amendment, you must provide us with a written objection within 30 days of the receipt date of the amendment.

**11.06 Notice and Delivery.** Any notice mailed to you will be deemed delivered and received by you, five days after the postmark date. This fifth day following the postmark is the receipt date. Notices will be mailed to the last address we have in our records. You are responsible for ensuring that we have your proper mailing address. Upon your consent, we may provide you with notice in a delivery format other than by mail. Such formats may include various electronic deliveries. Any notice, including terminations, change in personal information, or contributions mailed to us will be deemed delivered when actually received by us based on our ordinary business practices. All notices must be in writing unless our policies and procedures provide for oral notices.

**11.07 Applicable Laws.** This Agreement will be construed and interpreted in accordance with the laws of, and venued in, our state of domicile.

**11.08 Disqualifying Provisions.** Any provision of this Agreement that would disqualify the HSA will be disregarded to the extent necessary to maintain the account as an HSA.

**11.09 Interpretation.** If any question arises as to the meaning of any provision of this Agreement, then we shall be authorized to interpret any such provision, and our interpretation will be binding upon all parties.

**11.10 Representations and Indemnity.** You represent that any information you and/or your agents provide to us is accurate and complete, and that your actions comply with this Agreement and applicable laws governing HSAs. You understand that we will rely on the information provided by you, and that we have no duty to inquire about or investigate such information. We are not responsible for any losses or expenses that may result from your information, direction, or actions, including your failure to act. You agree to hold us harmless, to indemnify, and to defend us against any and all actions or claims arising from, and liabilities and losses incurred by reason of your information, direction, or actions. Additionally, you represent that it is your responsibility to seek the guidance of a tax or legal professional for your HSA issues.

We are not responsible for determining whether any contributions or distributions comply with this Agreement and/or the federal laws governing HSAs. We are not responsible for any taxes, judgments, penalties or expenses incurred in connection with your HSA, or any losses that are

a result of events beyond our control. We have no responsibility to process transactions until after we have received appropriate direction and documentation, and we have had a reasonable opportunity to process the transactions. We are not responsible for interpreting or directing beneficiary designations or divisions, including separate accounting, court orders, penalty exception determinations, or other similar situations.

#### 11.11 Investment of HSA Assets.

**(a) Investment of Contributions.** We will invest HSA contributions and reinvest your HSA assets as directed by you based on our then-current investment policies and procedures. If you fail to provide us with investment direction for a contribution, we will return or hold all or part of such contribution based on our policies and procedures. We will not be responsible for any loss of HSA income associated with your failure to provide appropriate investment direction.

**(b) Directing Investments.** All investment directions must be in a format or manner acceptable to us. You may invest in any HSA investments that you are qualified to purchase, and that we are authorized to offer and do offer at the time of the investment selection, and that are acceptable under the applicable laws governing HSAs. Your HSA investments will generally be registered in our name or our nominee's name (if applicable) for the benefit of your HSA. Specific investment information may be provided at the time of the investment.

Based on our policies, we may allow you to delegate the investment responsibility of your HSA to an agent by providing us with written notice of delegation in a format acceptable to us. We will not review or guide your agent's decisions, and you are responsible for the agent's actions or failure to act. We are not responsible for directing your investments, or providing investment advice, including guidance on the suitability or potential market value of various investments. For investments in securities, we will exercise voting rights and other similar rights only at your direction, and according to our then-current policies and procedures.

**(c) Investment Fees and Asset Liquidation.** Certain investment-related fees, which apply to your HSA, must be charged to your HSA and cannot be paid by you. We have the right to liquidate your HSA assets to pay fees and expenses, federal tax levies, or other assessments on your HSA. If you do not direct us on the liquidation, we will liquidate the assets of our choice and will not be responsible for any losses or claims that may arise out of the liquidation.

**(d) Deposit Investments.** The deposit investments provided by us may include savings, share, and/or money market accounts, and various certificates of deposit (CDs).

**(e) Non-Deposit Investments.** Non-deposit investments include investments in property, annuities, mutual funds, stocks, bonds, and government, municipal and U.S. Treasury securities, and other similar investments. Most, if not all, of the investments we offer are subject to investment risks, including possible loss of the principal amount invested. Specific investment disclosures may be provided to you.

**11.12 Distributions.** Withdrawal requests must be in a format acceptable to us, and/or on forms provided by us. We may require you, or your beneficiary after your death, to provide documentation and a proper tax identification number before we process a distribution. These withdrawals may be subject to taxes, withholding, and penalties. Distributions will generally be in cash or in kind based on our policies. In-kind distributions will be valued according to our policies at the time of the distribution.

- 11.13 Transfer and Rollover Contributions.** We may accept transfers, rollovers, and other similar contributions in cash or in kind from other HSAs and from Archer Medical Savings Accounts (MSAs). Prior to completing such transactions we may require that you provide certain information in a format acceptable to us. In-kind contributions will be valued according to our policies and procedures at the time of the contribution.
- 11.14 Reports and Records.** We will maintain the records necessary for IRS reporting on this HSA. Required reports will be provided to you, or your beneficiary after your death, and the IRS. If you believe that your report is inaccurate or incomplete you must notify us in writing within 30 days following the receipt date. Your investments may require additional state and federal reporting.
- 11.15 Termination.** You may terminate this Agreement without our consent by providing us with a written notice of termination. A termination and the resulting distribution or transfer will be processed and completed as soon as administratively feasible following the receipt of proper notice. At the time of termination we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties.
- 11.16 Our Resignation.** We can resign at any time by providing you with 30 days written notice prior to the resignation date,

or within five days of our receipt of your written objection to an amendment. In the event you materially breach this Agreement, we can terminate this Agreement by providing you with five days prior written notice. Upon our resignation, you must appoint a qualified successor custodian or trustee. Your HSA assets will be transferred to the successor custodian or trustee once we have received appropriate direction. Transfers will be completed within a reasonable time following our resignation notice and the payment of your remaining HSA fees or expenses. We reserve the right to retain HSA assets to pay any remaining fees or expenses. At the time of termination we may retain the sum necessary to cover any fees and expenses, taxes, or investment penalties. If you fail to provide us with acceptable transfer direction within 30 days from the date of the notice, we can transfer the assets to a successor custodian or trustee of our choice, distribute the assets to you in kind, or liquidate the assets and distribute them to you in cash.

- 11.17 Successor Organization.** If we merge with, purchase, or are acquired by, another organization, such organization, if qualified, may automatically become the successor custodian or trustee of your HSA.

## IRS FORM 5305-C INSTRUCTIONS (8-2004)

### General Instructions

*Section references are to the Internal Revenue Code.*

### Purpose of Form

Form 5305-C is a model custodial account agreement that has been approved by the IRS. An HSA is established after the form is fully executed by both the account owner and the custodian. The form can be completed at any time during the tax year. This account must be created in the United States for the exclusive benefit of the account owner.

Do not file Form 5305-C with the IRS. Instead, keep it with your records. For more information on HSAs, see Notice 2004-2, 2004-2 I.R.B. 269, Notice 2004-50, 2004-33 I.R.B. 196, Publication 969, and other IRS published guidance.

### Definitions

**Identifying Number.** The account owner's social security number will serve as the identification number of this HSA. For married persons, each spouse who is eligible to open an HSA and wants to contribute to an HSA must establish his or her own account. An employer identification number (EIN) is required for an HSA for which a return is filed to report unrelated business taxable income. An EIN is also required for a common fund created for HSAs.

### High Deductible Health Plan (HDHP).

For calendar year 2004, an HDHP for self-only coverage has a minimum annual deductible of \$1,000 and an annual out-of-pocket maximum (deductibles, co-payments and other amounts, but not premiums) of \$5,000. For calendar year 2004, an HDHP for family coverage has a minimum annual deductible of \$2,000 and an annual out-of-pocket maximum of \$10,000. These limits are subject to cost-of-living adjustments after 2004.

**Self-only coverage and family coverage under an HDHP.** Family coverage means coverage that is not self-only coverage.

**Qualified medical expenses.** Qualified medical expenses are amounts paid for medical care as defined in section 213(d) for the account owner, his or her spouse, or dependents (as defined in section 152) but only to the extent that such amounts are not compensated for by insurance or otherwise. With certain exceptions, health insurance premiums are not qualified medical expenses. See Notice 2004-25, 2004-15 I.R.B. 727 for transition relief for distributions for qualified medical expenses incurred in calendar year 2004.

**Custodian.** A custodian of an HSA must be a bank, an insurance company, a person previously approved by the IRS to be a custodian of an individual retirement account (IRA) or Archer MSA, or any other person approved by the IRS.

### Specific Instructions

**Article XI.** Article XI and any that follow it may incorporate additional provisions that are agreed to by the account owner and custodian. The additional provisions may include, for example, definitions, restrictions on rollover contributions from HSAs or Archer MSAs (requiring a rollover not later than 60 days after receipt of a distribution and limited to one rollover during a one-year period), investment powers, voting rights, exculpatory provisions, amendment and termination, removal of custodian, custodian's fees, state law requirements, treatment of excess contributions, distribution procedures (including frequency or minimum dollar amount), use of debit, credit, or stored-value cards, return of mistaken distributions, and descriptions of prohibited transactions. Attach additional pages if necessary.

Form **5305-C** (8-2004)



## HEALTH SAVINGS ACCOUNT DISCLOSURE STATEMENT

**Right to Revoke Your HSA.** With rare exception, you have the right to revoke this Health Savings Account (HSA) within seven days after the date of establishment of this HSA.

You may revoke your HSA by providing us with written notice. The revocation notice may be mailed by first-class mail, or hand delivered to us. If your notice is mailed by first-class, postage pre-paid mail, the revocation will be deemed mailed on the date of the postmark.

If you have any questions or concerns regarding the revocation of your HSA, please call or write to us. Our telephone number, address, and contact name, to be used for communications, can be found on the Application that accompanies this Disclosure Statement and Health Savings Custodial Account agreement.

**This Disclosure Statement.** This Disclosure Statement provides you, or your beneficiaries after your death, with a summary of the rules and regulations governing this HSA.

**Definitions.** The Health Savings Custodial Account agreement contains a detailed definitions section. The definitions found in such section apply to this Agreement. It refers to you as the account owner, and us as the custodian. References to "you," "your," and "HSA owner" will mean the account owner, and "we," "us," and "our" will mean the custodian. Upon your death, your spouse beneficiary, if applicable, becomes "you" for purposes of this Disclosure Statement. In the event you appoint a third party, or have a third party appointed on your behalf to handle certain transactions affecting your HSA, such third party will be considered your agent and, therefore, "you" for purposes of this Disclosure Statement. Additionally, references to "HSA" will mean the custodial account.

**For Additional Guidance.** It is in your best interest to seek the guidance of a tax or legal professional before completing any HSA establishment documents. Your first reference for questions concerning your HSA should be Internal Revenue Code (IRC) Section 223 and all additional Internal Revenue Service (IRS) guidance, IRS publications that include information about HSAs, any additional provisions or amendments to such documents, and this Disclosure Statement. For more information, you can also refer to the instructions to your federal income tax return, your local IRS office, or the IRS's web site at [www.irs.gov](http://www.irs.gov).

### HSA Restrictions and Approval.

- 1. Health Savings Custodial Account Agreement.** This Disclosure Statement and the Health Savings Custodial Account agreement, amendments, and additional provisions, set forth the terms and conditions governing your HSA. Such documents are the "Agreement."
- 2. Individual/Family Benefit.** This HSA must be for the exclusive benefit of you, your spouse, and your dependents and upon your death, your beneficiaries. The HSA must be established in your name and not in the name of your beneficiary, living trust, or another party or entity.
- 3. Beneficiary Designation.** By completing the appropriate section on the corresponding Health Savings Account Application you may designate any person(s) as your beneficiary to receive your HSA assets upon your death. You may also change or revoke an existing designation in such manner and in accordance with such rules as your HSA custodian prescribes for this purpose. If there is no beneficiary designation on file at the time of your death, or if none of the beneficiaries on file are alive at the time of your death, your HSA assets will be paid to your estate. Your HSA custodian may rely on the latest beneficiary designation on file at the time of your death, will be fully protected in doing so, and will have no liability whatsoever to any person making a claim to the HSA assets under a subsequently filed designation or for any other reason.

- 4. Cash Contributions.** Regular or annual HSA contributions must be in cash, which may include a check, money order, or wire transfer. It is within our discretion to accept in-kind contributions for rollovers or transfers.
- 5. HSA Custodian.** An HSA custodian must be a bank, an insurance company, a person previously approved by the IRS to be a trustee of an individual retirement account (IRA) or Archer Medical Savings Account (MSA) or any other person approved by the IRS.
- 6. Prohibition Against Life Insurance and Commingling.** None of your HSA assets may be invested in life insurance contracts, or commingled with other property, except in a common trust fund or common investment fund.
- 7. Nonforfeitability.** The assets in your HSA are not forfeitable.
- 8. Tax-Free Rollovers.** You may be eligible to make a rollover contribution of your HSA or Archer MSA distribution, in cash or in kind, to an HSA. Rollovers to and from HSAs are described in greater detail elsewhere in this Disclosure Statement.
- 9. No Prohibited Transactions.** If you engage in a prohibited transaction, the HSA loses its tax exempt status as of the first day of the year. You must include the fair market value of your HSA as of that first day in your gross income for the year during which the prohibited transaction occurred, and pay all applicable taxes and penalties.
- 10. No Pledging.** If you pledge all or a portion of your HSA as security for a loan, the portion pledged will be treated as a distribution to you, and the taxable portion will be included in gross income, and may be subject to the additional 10 percent tax.
- 11. IRS Approval of Form.** This Agreement includes an IRS Forms 5305 series agreement. This IRS document has been approved by the IRS. This approval is not a determination of its merits, and not an endorsement of the investments provided by us or the operation of the HSA.
- 12. State Laws.** State laws may affect your HSA in certain situations, including deductions, beneficiary designations, agency relationships, consent, taxes, tax withholding, and reporting.

### HSA Eligibility.

- 1. Eligibility for an HSA.** You are an eligible individual and may make or receive an HSA regular contribution if, with respect to any month, you:
  - a. are covered under a high-deductible health plan (HDHP);
  - b. are not covered by any other type of health plan that is not an HDHP (with certain exceptions for plans providing preventive care and limited types of permitted insurance and permitted coverage);
  - c. are not enrolled in Medicare; and
  - d. may not be claimed as a dependent on another person's tax return.

According to Revenue Procedure 2004-22, for months before January 1, 2006, if you would otherwise be an eligible individual, but are covered by both an HDHP that does not provide benefits for prescription drugs and by a separate health plan or rider that provides prescription drug benefits before the minimum annual deductible of the HDHP is satisfied (i.e., the separate prescription drug plan is not an HDHP), you will continue to be an eligible individual and may make contributions to your HSA based on the annual deductible of the HDHP.

- 2. High-Deductible Health Plan.** Generally, an HDHP is a health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. For purposes of this HSA, a high-deductible health plan is a plan with an annual deductible of at least \$1,000 for self-only coverage or \$2,000 for family coverage. These amounts are subject to cost-of-living adjustments (COLAs).

For HSA purposes, the high-deductible health plan must limit out-of-pocket expenses. For 2004, the maximum out-of-pocket expenses, which include money applied to your deductible and your coinsurance for covered charges, must be no more than \$5,000 for self-only coverage or \$10,000 for family coverage. These amounts are subject to COLAs.

IRS Notice 2004-23 provides a safe harbor for the absence of a preventive care deductible. It states that a plan shall not fail to be treated as an HDHP by reason of failing to have a deductible for preventive care. An HDHP may therefore provide preventive care benefits without a deductible or with a deductible below the minimum annual deductible.

- 3. Permitted Insurance.** You are eligible for an HSA if you have coverage for any benefit provided by permitted insurance. See IRS Notice 2004-2 for further information.

In addition, you are eligible for an HSA if you have coverage (whether provided through insurance or otherwise) for accidents, disability, dental care, vision care, or long-term care. If a plan that is intended to be an HDHP is one in which substantially all of the coverage of the plan is through permitted insurance or other coverage described in IRS Notice 2004-2, it is not an HDHP.

#### HSA Contributions.

- 1. Who Can Make Regular or Annual Contributions.** If you meet the eligibility requirements for an HSA, you, your employer, your family members, or any other person (including nonindividuals) may contribute to your HSA. This is true whether you are self-employed or unemployed.
- 2. Regular or Annual Contributions.** The maximum annual contribution to an HSA is the sum of the limits determined separately for each month, based on status, eligibility, and health plan coverage as of the first day of the month. For calendar year 2004, the maximum monthly contribution for eligible individuals with individual coverage under an HDHP is 1/12 of the lesser of 100 percent of the annual deductible under the HDHP (minimum of \$1,000) but not more than \$2,600. For eligible individuals with family coverage under an HDHP, the maximum monthly contribution is 1/12 of the lesser of 100 percent of the annual deductible under the HDHP (minimum of \$2,000) but not more than \$5,150. These amounts are subject to COLAs.

If you have more than one HSA, the aggregate annual contributions to all the HSAs are subject to the contribution limit. This limit is decreased by the aggregate contributions to an Archer MSA. The same annual contribution limit applies whether the contributions are made by you, your employer, your family members, or any other person (including nonindividuals). Contributions may be made on your behalf even if you have no compensation or if the contributions exceed your compensation.

- 3. Catch-up Contributions.** Catch-up contributions are HSA contributions made in addition to any regular HSA contributions. You are eligible to make catch-up contributions if you meet the eligibility requirements for regular contributions and are age 55 or older by the end of your taxable year and not enrolled in Medicare. As with the annual contribution limit, the catch-up contribution is computed on a monthly basis. The chart that follows shows these additional amounts.

Tax Year	Catch-up Amount
2004	\$ 500.00
2005	\$ 600.00
2006	\$ 700.00
2007	\$ 800.00
2008	\$ 900.00
2009 and after	\$ 1,000.00

- 4. One or Both Spouses Have Family Coverage.** You and your spouse are treated as having family coverage if either of you has family coverage. If you and your spouse have family coverage under different HDHPs, then each of you is treated as covered under the HDHP with the lowest deductible. The contribution limit for each of you is the lowest deductible amount, divided equally between you and your spouse, unless each of you agree on a different division. The family coverage limit is reduced further by any contribution to an Archer MSA. However, each of you may make the catch-up contributions without exceeding the family coverage limit.

#### 5. Contribution Deductibility.

- a. Your Contributions.** Contributions made by you to an HSA, which do not exceed the maximum annual contribution amount, are deductible by you when determining your adjusted gross income. You are not required to itemize deductions in order to take this deduction. However, you cannot also deduct the contributions as medical expenses under section 213. Contributions by family members or any other person (including nonindividuals) on your behalf are also deductible by you.
- b. Employer Contributions.** Employer contributions are treated as employer-provided coverage for medical expenses under an accident or health plan and are excludable from your gross income. The employer contributions are not subject to withholding from wages for income tax or subject to the Federal Insurance Contributions Act (FICA), the Federal Unemployment Tax Act (FUTA), or the Railroad Retirement Tax Act. Contributions to your HSA through a cafeteria plan are treated as employer contributions. You cannot deduct employer contributions on your federal income tax return as HSA contributions or as medical expense deductions under section 213.

- 6. Contribution Deadline.** You may make regular and catch-up HSA contributions any time for a taxable year up to and including your federal income tax return due date, excluding extensions, for that taxable year. The due date for most taxpayers is April 15.

For calendar year 2004, an HSA established by you on or before April 15, 2005, may pay or reimburse on a tax-free basis an otherwise qualified medical expense if that expense was incurred on or after the later of: (1) January 1, 2004, or (2) the first day of the month that you became eligible for an HSA.

**Moving Assets To and From HSAs.** There are a variety of transactions that allow you to move your HSA assets to and from other HSAs in cash or in kind based on our policies. We have sole discretion on whether we will accept, and how we will process movements of assets to and from HSAs. We or the other financial organization involved in the transaction may require documentation for such activities.

- 1. HSA-to-HSA Transfers.** You may transfer all or a portion of your HSA assets from one HSA to another HSA. An HSA transfer means that the HSA assets move from one HSA to another HSA in a manner that prevents you from cashing or liquidating the HSA assets, or even depositing the assets anywhere except in the receiving HSA. You may be required to complete a transfer authorization form prior to transferring your HSA assets.

2. **Archer MSA-to-HSA Transfers.** A transfer of Archer MSA assets to an HSA is permitted. However, HSA assets cannot be transferred to an Archer MSA.
3. **HSA-to-HSA Rollovers.** An HSA rollover is another way to move assets tax-free between HSAs. You may roll over all or a portion of your HSA assets by taking a distribution from an HSA and recontributing it as a rollover contribution into the same or another HSA. Rollovers to HSAs are not allowed from traditional or Roth IRAs, health reimbursement arrangements (HRAs), health flexible spending arrangements (FSAs), and employer-sponsored retirement plans. You must report your HSA rollover to the IRS on your federal income tax return. Your contribution may only be designated as a rollover if the HSA distribution is deposited within 60 calendar days following the date you receive the distributed assets. You are limited to one rollover per HSA per 12 months. The distributing and receiving HSA, including the HSA assets rolled over, are subject to this 12-month rule. The 12-month period begins on the day after you receive a distribution that will be properly rolled over into an HSA.
4. **Archer MSA-to-HSA Rollovers.** Rollovers from an Archer MSA to an HSA are permitted. However, HSA assets cannot be rolled over to an Archer MSA. The distributing MSA and receiving HSA, including the MSA assets rolled over, are subject to the 12-month rule.

**HSA Distributions.** You or, after your death, your beneficiary may take an HSA distribution, in cash or in kind based on our policies, at any time. However, depending on the timing and amount of your distribution you may be subject to income taxes and/or penalty taxes. HSA custodians/trustees are not required to determine whether HSA distributions are used for qualified medical expenses.

1. **Removal of Excess Contributions.** You may withdraw all or a portion of your excess contribution and attributable earnings by your federal income tax return due date, including extensions, for the taxable year for which the contribution was made. The excess contribution amount distributed will not be taxable, but the attributable earnings on the contribution will be taxable in the year in which the distribution is received. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.
2. **Qualified Medical Expenses.** Qualified medical expenses are expenses paid by you, your spouse, or your dependents for medical care as defined in section 213(d) (including nonprescription drugs as described in Revenue Ruling 2003-102, 2003-38 I.R.B. 559), but only to the extent the expenses are not covered by insurance or otherwise. The qualified medical expenses must be incurred only after the HSA has been established.

For calendar year 2004, an HSA established by you on or before April 15, 2005, may pay or reimburse on a tax-free basis an otherwise qualified medical expense if that expense was incurred on or after the later of: (1) January 1, 2004, or (2) the first day of the month that you became eligible for an HSA.

3. **Death.** Upon your death, any balance remaining in your HSA becomes the property of the beneficiaries named in the HSA agreement.
  - a. **Spouse.** If your spouse is the beneficiary of your HSA, the HSA becomes his/her HSA as of the date of your death. We may require your spouse to transfer the assets to an HSA of his/her own. Your spouse is subject to income tax only to the extent distributions from your HSA are not used for qualified medical expenses.

- b. **Nonspouse.** If your beneficiary is not your spouse, the HSA ceases to be an HSA as of the date of your death. If your beneficiary is your estate, the fair market value of your HSA as of the date of your death is taxable on your final return. For other beneficiaries, the fair market value of your HSA is taxable to them in the tax year that includes such date. For such a person (except your estate), this amount is reduced by any payments from the HSA made for your qualified medical expenses, if paid within one year after your death.

#### **Federal Income Tax Status of Distributions.**

1. **Taxation.** Distributions from your HSA used exclusively to pay for qualified medical expenses of you, your spouse, or your dependents are excludable from gross income. In general, amounts in an HSA can be used for qualified medical expenses and will be excludable from gross income even if you are not currently eligible for contributions to the HSA. However, any amount of the distribution not used exclusively to pay for qualified medical expenses of you, your spouse, or your dependents is includable in your gross income and is subject to an additional 10 percent tax on the amount includable, except in the case of distributions made after your death, your disability, or your attainment of age 65. HSA distributions which are not rolled over will be taxed as income in the year distributed, unless they are used for qualified medical expenses. You may also be subject to state or local taxes and withholding on your HSA distributions.
2. **Earnings.** Earnings, including gains and losses, on your HSA will not be subject to federal income taxes until they are considered distributed.
3. **Ordinary Income Taxation.** Your taxable HSA distribution is usually included in gross income in the distribution year.

**Estate and Gift Tax.** The designation of a beneficiary to receive HSA distributions upon your death will not be considered a transfer of property for federal gift tax purposes. Upon your death, the value of all assets remaining in your HSA will usually be included in your gross estate for estate tax purposes, regardless of the named beneficiary or manner of distribution. There is no specific estate tax exclusion for assets held within an HSA. After your death, beneficiaries should pay careful attention to the rules for the disclaiming any portion of your HSA under IRC Section 2518.

**Federal Income Tax Withholding.** If federal withholding is applicable, the custodian may require the completion of a withholding election document.

**Annual Statements.** Each year we will furnish you and the IRS with IRS-required statements reflecting the activity in your HSA.

**Federal Tax Penalties.** Several tax penalties may apply to your various HSA transactions, and are in addition to any federal, state, or local taxes. Federal penalties and excise taxes are generally reported and remitted to the IRS along with your federal income tax return. The penalties may include any of the following taxes:

1. **Additional 10 Percent Tax.** Any amount of a distribution not used exclusively to pay for qualified medical expenses of you, your spouse, or your dependents is subject to an additional 10 percent tax on the amount includable in your gross income, except in the case of distributions made after your death, your disability, or your attainment of age 65.
2. **Excess Contribution Penalty Tax.** If a contribution to your HSA exceeds the amount you are eligible for, you have an excess contribution, which is subject to a 6 percent excise tax. The excise tax applies each year that the excess contribution remains in your HSA. If you timely file your federal income tax return, you may still remove your excess contribution, plus attributable earnings, as late as October 15 for calendar year filers.



## FUNDS AVAILABILITY DISCLOSURE

This policy statement applies to all deposit accounts.

Our policy is to make funds from your deposit available to you on the first business day after the day we receive your deposit. Electronic direct deposits will be available on the day we receive the deposit. Once they are available, you can withdraw the funds in cash and we will use the funds to pay checks that you have written.

Please remember that even after we have made funds available to you, and you have withdrawn the funds, you are still responsible for checks you deposit that are returned to us unpaid and for any other problems involving your deposit.

For determining the availability of your deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. If you make a deposit before 2:00 P.M. on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after 2:00 P.M. or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

If we cash a check for you that is drawn on another bank, we may withhold the availability of a corresponding amount of funds that are already in your account. Those funds will be available at the time funds from the check we cashed would have been available if you had deposited it.

If we accept for deposit a check that is drawn on another bank, we may make funds from the deposit available for withdrawal immediately but delay your availability to withdraw a corresponding amount of funds that you have on deposit in another account with us. The funds in the other account would then not be available for withdrawal until the time periods that are described elsewhere in this disclosure for the type of check that you deposited.

### LONGER DELAYS MAY APPLY

In some cases, we will not make all of the funds that you deposit by check available to you on the first business day after the day of your deposit. Depending on the type of check that you deposit, funds may not be available until the fifth business day after the day of your deposit. However, the first \$100 of your deposit will be available on the first business day after we receive your deposit.

If we are not going to make all of the funds from your deposit available on the first business day after we receive your deposit, we will notify you at the time you make your deposit. We will also tell you when the funds will be available. If your deposit is not made directly to one of our employees, or if we decide to take this action after you have left the premises, we will mail you the notice the day we receive your deposit.

If you will need the funds from a deposit right away, you should ask us when the funds will be available.

In addition, funds you deposit by check may be delayed for a longer period under the following circumstances:

- \* We believe a check you deposit will not be paid.
- \* You deposit checks totaling more than \$5,000 on any one day.
- \* You redeposit a check that has been returned unpaid.
- \* You have overdrawn your account repeatedly in the last six months.
- \* There is an emergency, such as failure of communications or compute equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the eleventh business day after the day of your deposit.

### SPECIAL RULES FOR NEW ACCOUNTS

If you are a new customer, the following special rules will apply during the first 30 days your account is open. Funds from electronic direct deposit into your account will be available on the day we receive the deposit.

Funds from deposits of cash, wire transfers, and the first \$5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you (and you may have to use a special deposit slip). The excess over \$5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first \$5,000 will not be available until the second business day after the day of your deposit.

Funds from all other check deposits will be available on the eleventh business day after the day of your deposit.

